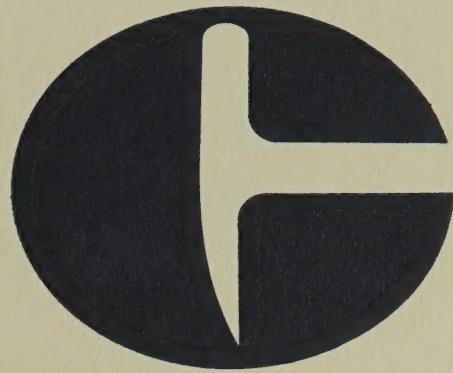


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CONWEST EXPLORATION

COMPANY LIMITED

THIRTY-FOURTH ANNUAL REPORT

NOTICE OF MEETING

INFORMATION CIRCULAR

December 31 — 1972

Thirty-Fourth Annual Report

of

C O N W E S T
EXPLORATION COMPANY LIMITED

OFFICERS	F. M. CONNELL, O.B.E. - - - - - - - - - Chairman C. R. ELLIOTT - - - - - - - - - President M. P. CONNELL - - - - - - - - - Executive Vice-President I. F. T. KENNEDY - - - - - - - - - Vice-President J. R. SCRIMGER - - - - - - - - - Secretary J. C. LAMACRAFT - - - - - - - - - Treasurer D. B. MacDERMOTT - - - - - - - - - Assistant Secretary
DIRECTORS	F. M. CONNELL, O.B.E. - - - - - - - - - Toronto, Ontario W. H. CONNELL - - - - - - - - - Spencerville, Ontario E. B. CONNELL - - - - - - - - - Spencerville, Ontario M. P. CONNELL - - - - - - - - - Toronto, Ontario J. D. CHRISTIAN, C.B.E. - - - - - - - - - Toronto, Ontario K. A. CREERY - - - - - - - - - Montreal, Quebec C. R. ELLIOTT - - - - - - - - - Bowmanville, Ontario S. E. JAMIESON - - - - - - - - - Toronto, Ontario I. F. T. KENNEDY - - - - - - - - - Toronto, Ontario
TRANSFER AGENT AND REGISTRAR	MONTREAL TRUST COMPANY - - - - - Toronto, Ontario
BANKERS	THE ROYAL BANK OF CANADA
AUDITORS	CLARKSON, GORDON & CO. - - - - - Toronto, Ontario
SOLICITOR	D. B. MacDERMOTT - - - - - Toronto, Ontario
ADMINISTRATIVE OFFICE	TENTH FLOOR, 85 RICHMOND STREET WEST - - - - - Toronto, Ontario
FIELD OFFICE	1055 WEST HASTINGS ST., SUITE 1720 - - - - - Vancouver, B.C.
ANNUAL MEETING	10:00 A.M., June 28, 1973 - - - - - The Algonquin Room Royal York Hotel Toronto, Ontario



Tenth Floor
85 Richmond Street West
TORONTO, ONTARIO
M5H 2G1

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To the Shareholders:

Notice is hereby given that the Annual General Meeting of the Shareholders of Conwest Exploration Company Limited will be held at the Algonquin Room, Royal York Hotel, 100 Front St. W., Toronto, Ontario, Thursday, June 28, 1973 at the hour of 10:00 o'clock in the forenoon, for the following purposes:—

1. To receive the thirty-fourth annual report of the directors.
2. To receive the financial statement of the Company for the year ended December 31, 1972, together with the auditors' report thereon.
3. To elect directors.
4. To appoint auditors and to authorize the directors to fix their remuneration.
5. To transact such other business as may properly come before the meeting.

By order of the Board of Directors,

J. ROSS SCRIMGER,
Secretary.

Dated June 4, 1973,
Toronto, Ontario.

See Pages 17 to 19 for Information Circular



Report of the Directors

To the Shareholders,
Conwest Exploration Company Limited.

Your directors submit the 34th Annual Report on the affairs of your company including the auditors' report, the balance sheet as at December 31, 1972 and the related statements of income and retained earnings and the statement of source and application of funds for the year ended on that date.

During the year, your company maintained a strong working capital position, a considerable portion of which was invested in high interest-bearing long-term corporation bonds and debentures. This income and the income received from the shares of dividend-paying corporations amounted to \$819,311. Consistent with your company's efforts to improve the level of income received and to expand its aggressive mineral exploration programme, your board of directors have discontinued the payment of dividends and will use the funds, amounting to \$300,000. per annum, for exploration.

CASSIAR ASBESTOS CORPORATION LIMITED

Your company holds 550,100 shares of Cassiar Asbestos Corporation Limited.

During the year, Cassiar earned \$18,078,465 before providing for depreciation, waste removal, and other write-offs aggregating \$10,890,307, leaving a net profit before income taxes of \$7,198,158 compared to \$6,768,146 in 1971. Provision for income taxes of \$2,875,000 resulted in a net profit for the year of \$4,323,158 or \$0.786 per share as compared to \$4,628,146 or \$0.84 per share in 1971. The Annual Report of Cassiar Asbestos Corporation Limited is appended for your further information.

JOREX LIMITED

Your company held at the year end, 203,000 shares of Jorex Limited representing approximately 8% of the outstanding capital of that company. Jorex conducts a programme of general exploration across Canada with expenditures on exploration in 1972 of approximately \$370,000.

LIARD FLUORSPAR MINES LIMITED

This company was formed to acquire the claims in northern British Columbia where exploration of fluorspar deposits during 1971 and 1972 has been financed by Jorex Limited, Conwest and Central Patricia Gold Mines Limited. The claims held jointly with Jorex were transferred to Liard Fluorspar Mines Limited and by agreement, your Company transferred its holdings of the Gem mineral claims in the same area to Liard Fluorspar Mines Limited. As a result, your company now holds 536,236 shares of Liard Fluorspar Mines Limited representing 38% of the outstanding capital of that company.

Exploration of the claims including extensive diamond drilling indicated that fluorspar occurs in relatively small deposits over a large area. In view of current prices, the present high transportation costs of moving the product to market, together with other current economic conditions, further exploration of the property is not warranted at this time.

WEST GRAHAM MINES LIMITED

Conwest holds 701,863 shares or 48% of the capital stock of West Graham Mines Limited issued and outstanding as at December 31, 1972. No work was carried out during the year.

BASIN OIL EXPLORATION LIMITED

Your Company holds 681,661 shares of Basin Oil Exploration Limited representing 62% of the capital stock of that company. As a means of effective participation in oil and gas exploration in Western Canada, Basin holds 100,000 shares of the capital stock of Bluemount Resources Limited subscribed for at the price of \$5.00 per share, of which 50,000 shares were paid for during the year.

To help finance the purchase, Conwest advanced \$220,000. to Basin Oil Exploration Limited. Based in Calgary, Bluemount carries on an active programme of oil and gas exploration in Western Canada with the principal emphasis in Alberta.

CHIMO GOLD MINES LIMITED

As at the year end, your company held 400,000 shares of Chimo Gold Mines Limited. Since the year end, the company has acquired 270,000 additional shares and now holds 670,000 shares of Chimo, representing approximately 20% of the outstanding capital stock of that company. As previously reported to you, Chimo Gold Mines Limited participates with your company to the extent of 20% in its exploration ventures and its associated company, Calmor Iron Bay Mines Limited (39.1% owned by Chimo), to the extent of 13½%. In addition, during the year, both companies carried out exploration work with respect to projects in which they were involved on claims held by them prior to the 1st of January, 1972.

Income received by Chimo Gold Mines Limited during 1972 amounted to \$320,314 and included \$244,600 derived from royalty on the production of iron ore pellets from the Griffith Mine located near Red Lake in the Province of Ontario. The mine is operated under a leasing arrangement by The Steel Company of Canada Limited.

CONWEST EXPLORATION OVERSEAS LIMITED

Conwest Exploration Overseas Limited has issued and outstanding 2,450,000 shares of which your company holds 1,114,000 shares. Conwest Exploration Overseas Limited, through its subsidiary, Conwest Exploration (Australia) N.L., is carrying on a comprehensive programme of exploration in Australia.

Conwest Exploration (Australia) N.L. was incorporated with a capital of 7,500,000 shares. At December 31, 1972, its outstanding issued capital was 5,250,000 shares of which Conwest Exploration Overseas Limited held 4,000,000 shares. Your company's holdings of Conwest Exploration Overseas Limited, therefore, represent an indirect 34½% interest in the Australian company.

Your attention is directed to the report of Mr. C. K. O'Connor, Exploration Manager for Australian operations, which is enclosed.

GENERAL EXPLORATION

During the year, Conwest and its associates (the Conwest Group) participated in exploration expenditures as follows:—

Conwest Exploration Company Limited	\$ 1,156,300.
Central Patricia Gold Mines Limited	208,500.
Chimo Gold Mines Limited	260,400.
Calmor Iron Bay Mines Limited	166,700.
Total Cost to the Group	\$ 1,791,900.
Expenditure by others on projects in which the Conwest Group participated	530,000.
Total Exploration Exposure	\$ 2,321,900.

The joint exploration agreement between Conwest, Central Patricia Gold Mines Limited, Chimo Gold Mines Limited and Calmor Iron Bay Mines Limited, which came into effect January 1, 1972, sets out the terms of participation with Conwest in mineral exploration initiated after that date. All exploration costs related thereto and the interests earned are shared in the following proportions:—

Conwest Exploration Company Limited	53½%
Central Patricia Gold Mines Limited	13½%
Chimo Gold Mines Limited	20%
Calmor Iron Bay Mines Limited	13½%
	100%

Since entering into the agreement, Central Patricia Gold Mines Limited has increased its shareholdings in Conwest to more than 22% of Conwest's outstanding share capital. In view of its substantial interest in the Company, Central Patricia has elected to withdraw from direct participation in exploration

projects initiated on or after January 1, 1973. It will, however, continue to participate to the extent of its interest in any exploration project, mining claims, or properties which it held at that date. Accordingly, exploration projects initiated during the current year and subsequently will be carried in the proportion — Conwest 66 $\frac{2}{3}$ %; Chimo 20%; and Calmor 13 $\frac{1}{3}$ %.

JOINT EXPLORATION WITH CENTRAL PATRICIA GOLD MINES LIMITED

Projects initiated prior to January 1, 1972 on which work was done during the year under review and in which Central Patricia Gold Mines Limited participated to the extent of 20% are described as follows:—

British Columbia

Conwest, Central Patricia, and two other partners supported a prospecting syndicate in British Columbia managed by Messrs. Bacon & Crowhurst of Vancouver. Diamond drilling of a mineralized zone discovered during 1971 failed to disclose values of economic significance.

Northwest Territories

During the year, Conwest and Central Patricia participated with the Newconex group of companies in geophysical surveys on a number of claim groups at Pine Point in the vicinity of the 408 lead-zinc deposit held by the participants. The surveys indicated six weakly anomalous areas which have since been tested by diamond drilling and found to be caused by sub-economic mineralization. No further work is currently planned.

Ontario

Conwest and Central Patricia completed the drilling of seven electromagnetic conductors in the Pickle Lake area early in 1972. The anomalies were found to be caused by barren sulphides and graphite.

In the Sturgeon Lake area of Ontario an option to purchase a group of claims was acquired. Minor copper values were cut in one of three holes drilled and the option was abandoned.

JOINT EXPLORATION BY THE CONWEST GROUP

Pursuant to the joint exploration agreement related to exploration projects undertaken subsequent to January 1, 1972 referred to above, the following projects were carried out:—

British Columbia

The Conwest Group and two other partners supported a prospecting syndicate in British Columbia managed by Messrs. Bacon & Crowhurst of Vancouver. This prospecting programme will continue in 1973. Central Patricia has elected not to continue participation in this venture and has disposed of its interest therein to Conwest.

Yukon Territory

Together with Jorex Limited, the Conwest Group supported a programme in the Klondike Goldfield. The geochemical results in this permafrost area were not impressive and the Conwest Group has withdrawn from the project.

Northwest Territories

The Conwest Group supported with others a prospecting syndicate managed by Cordilleran Engineering Limited seeking lead-zinc deposits in carbonate rocks. Although some mineralization was found, the Conwest Group have decided not to participate in the syndicate in 1973.

Ontario

An option to purchase was obtained on a group of claims at the western end of Sturgeon Lake adjoining the large claim block held by Chimo Gold Mines Limited. Geophysical surveys and diamond drilling carried out in conjunction with similar work on the Chimo claim block failed to find significant mineralization.

As a result of geological reconnaissance and mapping in the Sturgeon Lake area during the year, an option was obtained on a claim group on the south shore of Sturgeon Lake. Geophysical surveys were carried out over the geologically interesting part of the claim block early in 1973. Diamond drilling completed in March failed to encounter any commercial mineralization.

Vermont, U.S.A.

A programme of geophysical and geochemical reconnaissance was carried out in a former copper mining district by Prospecting Geophysics Limited on behalf of the Conwest Group. This programme has resulted to date in the acquisition of options to purchase two properties which will be drilled in 1973.

Montana, U.S.A.

During the year, the Conwest Group negotiated an option to purchase the Alta Mine property in Montana, where production of silver-lead-zinc from relatively narrow, good grade orebodies ceased prior to 1900. It is planned to diamond drill the host structure down dip and along strike from the previously mined ore zones.

Other Exploration Activity

Elsewhere in Canada and the United States, properties were examined and prospecting, geological reconnaissance, air and ground geophysical surveys, and shallow diamond drilling were carried out. In Canada, this work took place in the Kamloops, B.C. area, in northern B.C., in the Yukon, in the middle and eastern parts of the Northwest Territories, in the Ruttan Lake area of Manitoba, in the Burchell, Onaman and Frond Lake areas of Ontario, and in northwestern Quebec.

In early January, 1973, Kennco Explorations (Western) Limited accepted an offer from the Conwest Group to enter into an arrangement to explore and if warranted, develop its mineral claim holdings known as the Chappelle Prospect in the Toodoggone River Area, 170 miles north of Smithers, British Columbia.

Geochemical reconnaissance and prospecting in the area by Kennco disclosed gold-silver bearing quartz veins on the 170 claim group. The principal gold-silver bearing quartz vein has been exposed intermittently by stripping for a strike length of 1,450 feet. Within this, a section 350 feet long and 10 feet in average width is continuously mineralized with interesting values in both gold and silver.

The principal terms of the arrangement are that Conwest commits to spend \$250,000. within 12 months of an ascertainable date and has the right to spend a further \$750,000. within 30 months of the ascertainable date. At any time within the said 30 month period, Conwest may give notice of a production decision. Upon having spent an aggregate of \$1,000,000. and elected to commence production, it will acquire a 50% interest. Kennco's 50% interest is carried through production and Conwest recovers its expenditure as a first charge against 80% of the cash flow. The remaining 20% of cash flow will be paid in equal portions to Kennco and Conwest until Conwest's expenditures are repaid, at which time, the cash flow will be shared equally. Initial exploration currently in progress will consist of drifting on the vein 150 feet below the surface exposure and diamond drilling to locate the zone at greater depth. The estimated cost of this programme is \$300,000.

GENERAL

Your company maintains a capable exploration staff under the management of Mr. T. L. Horsley, as set out in the statement of Management and Exploration Personnel. The active and aggressive policy of mineral exploration in Canada and elsewhere as opportunities may develop, will be continued.

Your directors express their appreciation of the faithful service rendered the company by all its employees.

On Behalf of the Board,

F. M. CONNELL,
Chairman.

C. R. ELLIOTT,
President.

Toronto, Ontario,
June 4, 1973.

CONWEST EXPLORATION (AUSTRALIA) N.L.

Exploration Manager's Report

Mr. C. R. Elliott,
Chairman,
Conwest Exploration (Australia) N.L.

Dear Sir,

I have pleasure in submitting my summary report on the operations of Conwest (Australia) No Liability for the year ended December 31, 1972.

Exploration was directed from the Company's headquarters in Sydney, with a full-time staff of five professional geologists. During the year the Brisbane office was closed while a small office was maintained in Perth to direct our operations in Western Australia.

The Company's main exploration efforts during 1972 were at Burra, N.S.W., and Saddle Hills and the Kimberleys, of W.A.

At Burra, near Queanbeyan, several base metal gossans were taken under option and, following a standard gridding, mapping, soil sampling, and geophysical surveying programme, a total of six holes were diamond drilled for 2,457 feet. The best intersection of 9.2 feet of 15.5% Zn and 0.7% Pb was isolated and the option was terminated.

Early in 1972, Conwest entered into a Joint Venture with Placer Prospecting Australia Pty. Ltd. with respect to several areas in the Fitzroy and Bonaparte Gulf basins in the Kimberleys. Conwest retains a 40% interest. Numerous zinc-lead occurrences were located during the 1972 prospecting season in Devonian carbonate rocks, and the programme will resume in 1973 to continue the search for a Mississippi Valley type lead-zinc deposit.

At the Saddle Hills nickel prospect near Kalgoorlie, Conwest carried out an extensive programme of contact evaluation of the ultrabasic rocks as it was considered that earlier work by others was not sufficient. Results were not encouraging, however, and the claims were surrendered.

In January, 1972, Conwest entered into a Joint Venture with Consolidated Gold Fields Australia Ltd. to explore for uranium associated with calcrete drainage channels in W.A. Several claim groups were pegged as a result of an airborne reconnaissance survey. Subsequently, Getty Oil joined the venture to assist in financing further work. Conwest retains a 26% interest. Exploration managed by Gold Fields during 1972 tested some of the claim groups without success. The others will be tested in 1973.

Conwest retains an 18 1/3% interest in eight claims in the Youanmi area held by the Freddie Well Joint Venture. Additional expenditures by two of the parties during 1972 resulted in Conwest's interest being reduced from 25%. The retained claims cover favorable geology but do not include any of the claims on

which zinc mineralization was located by drilling. The latter were held under options which expired in March, 1972. In September, 1972, the eight remaining claims were optioned by the Joint Venture to Australian Ores & Minerals Ltd., who may earn a 70% interest.

Conwest pegged an additional 37 claims at Youanmi in September following news of a new copper-nickel discovery in the area. These claims were examined briefly and 15 were dropped at year end. No further work is contemplated in the immediate future.

No exploration was carried out in 1972 on the Duplex Hill nickel prospect near Kalgoorlie held jointly with Amax Exploration (Australia), Inc. Present plans are to seek a third partner to assist in further exploration of this prospect.

Joint ventures with International Nickel Australia Ltd. at Bullfinch, and Mining Corporation Exploration N.L. at Bouchers were terminated at year end and both of these nickel prospects reverted to Conwest. Attempts will be made to re-option these prospects as no further expenditures by Conwest appear warranted.

Conwest still retains one claim group at Windarra and initial negotiations to farm out this property were concluded in early January, 1973, with Carpentaria Exploration Company Pty. Ltd., who may earn a 75% interest.

Options over the Mungana and Silver Star copper-lead-zinc-silver prospects in Queensland were terminated following an evaluation of the drilling, completed early in 1972, which indicated that no further expenditures were warranted.

Numerous other prospects were examined during 1972 in Queensland, New South Wales and Western Australia. Tenements were applied for in several cases, and two properties reached the percussion drilling stage. No significant mineralization was located.

Late in 1972 the Mines Department of W.A. reinstated Temporary Reserves. Conwest applied for and was granted three T.R.'s in the Eastern Goldfields and these will be the subject of exploration for massive sulphide copper-zinc deposits.

Conwest presently holds or has an interest in 326 Mineral Claims, two Exploration Licences, and four Temporary Reserves, covering approximately 750 square miles in W.A. and the Northern Territory.

Total exploration expenditures for 1972 were \$371,836. Many properties were abandoned during the year and these, plus general exploration, amounted to a write-off of \$455,466.

Respectfully submitted,
C. K. O'CONNOR, P.Eng.,
Exploration Manager.

26th February, 1973.

Clarkson, Gordon & Co.

Chartered Accountants

Royal Trust Tower
P.O. Box 251, Toronto-Dominion Centre
Toronto, Canada, M5K 1J7

Halifax Saint John Quebec Montreal Ottawa
Toronto Hamilton Kitchener London Windsor
Thunder Bay Winnipeg Regina Calgary
Edmonton Vancouver Victoria

Arthur Young, Clarkson, Gordon & Co.
United States—Brazil
Telephone 864-1234 (Area Code 416)

AUDITORS' REPORT

To the Shareholders of
Conwest Exploration Company Limited:

We have examined the balance sheet of Conwest Exploration Company Limited as at December 31, 1972 and the statements of income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, subject to such adjustments, if any, as may result from the outcome of the litigation referred to in note 9, these financial statements present fairly the financial position of the company as at December 31, 1972 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
June 4, 1973.

Clarkson, Gordon & Co.

Chartered Accountants

Conwest Exploration Company Limited

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended December 31, 1972
 (with comparative figures for the year 1971)

	1972	1971
Source of funds:		
Investment income	\$1,194,537	\$1,098,207
Application of funds:		
Mining exploration and development —		
Direct	\$1,224,262	\$1,156,566
Less recovered from others	571,483	277,496
	652,779	879,070
Subscription to shares in and advances to other companies for exploration purposes	503,620	106,200
Net funds applied to mining exploration and development	(1,156,399)	(985,270)
Excess of investment income over net funds applied to mining exploration and development	38,138	112,937
Dividends paid	(150,000)	(300,000)
Investment transactions:		
Cost of investments purchased	2,565,228	1,956,182
Cost of investments sold	1,606,379	2,351,851
Investment funds transferred to (from) working capital	(958,849)	395,669
Net increase (decrease) in working capital	(1,070,711)	208,606
Working capital at beginning of year	3,516,144	3,307,538
Working capital at end of year	\$2,445,433	\$3,516,144

Conwest Exploration Company Limited

STATEMENT OF INCOME AND RETAINED EARNINGS

For the year ended December 31, 1972

(with comparative figures for the year 1971)

	1972	1971
Income:		
Dividends	\$ 615,632	\$ 621,372
Interest	203,679	204,190
Gain on sale of investments	375,226	272,645
	1,194,537	1,098,207
Expense:		
General exploration and administrative together with the cost of current and prior years' direct exploration and development expenditures on mining claims and properties which were abandoned during year (note 2)	1,088,781	704,020
Corporate	30,500	32,533
Depreciation	5,931	5,662
	1,125,212	742,215
Less portion of expenditures recovered from other companies	326,838	88,044
	798,374	654,171
Income before undernoted items	396,163	444,036
Profits (losses) of subsidiary companies (note 5)	(187,878)	7,815
Write-down of investments in associated companies	(79,457)	(298,797)
	(267,335)	(290,982)
Net income for the year	128,828	153,054
Retained earnings at beginning of year	15,110,493	15,257,439
Dividends paid	150,000	300,000
Retained earnings at end of year	\$15,089,321	\$15,110,493
Earnings per share	\$ 0.05	\$ 0.06

Conwest Exploration

(Incorporated under the laws of the Province of British Columbia)

Balance Sheet — (with comparative figures)

ASSETS

Current:	1972	1971
Cash	\$ 37,933	\$ 141,895
Bonds and short-term deposits, at cost (market value 1972 — \$2,245,690; 1971 — \$2,591,816)	2,189,364	2,602,494
Accounts receivable	277,314	290,929
Due from broker		712,280
Total current assets	<u>2,504,611</u>	<u>3,747,598</u>
Investment in mining companies and properties (notes 2-6):		
Shares with a quoted market value at cost (indicated market value 1972 — \$11,784,000; 1971 — \$15,225,000)	8,637,248	7,498,396
Other shares and advances at cost less amounts written off	2,363,368	2,227,657
Subsidiary companies	1,261,199	1,224,155
Mining properties at cost and expenditures thereon	1,727,596	1,951,265
Total interest in mining companies and properties	<u>13,989,411</u>	<u>12,901,473</u>
Fixed assets at cost less accumulated depreciation (1972 — \$28,511; 1971 — \$25,708)	<u>9,325</u>	<u>14,374</u>
Deferred past service pension costs (note 8)	<u>132,750</u>	<u>177,000</u>
	<u><u>\$16,636,097</u></u>	<u><u>\$16,840,445</u></u>

Company Limited

(news of Canada)

December 31, 1972

(At December 31, 1971)

LIABILITIES

Current:

	1972	1971
Accounts payable	\$ 59,178	\$ 81,454
Dividend payable		150,000
Total current liabilities	59,178	231,454
Unfunded portion of past service pension benefits (note 8)	202,600	213,500

Shareholders' equity:

Capital —

Authorized:

3,000,000 shares of no par value

Issued:

2,500,000 shares	1,284,998	1,284,998
Retained earnings	15,089,321	15,110,493
	16,374,319	16,395,491

On behalf of the Board:

C. R. ELLIOTT, Director

M. P. CONNELL, Director

\$16,636,097

\$16,840,445

The accompanying notes are an integral part of these financial statements.

Conwest Exploration Company Limited

NOTES TO THE FINANCIAL STATEMENTS

December 31, 1972

1. Accounting presentation

The comparative figures presented in the statement of source and application of funds for the year ended December 31, 1971 have been revised to conform with the presentation adopted in 1972.

2. Accounting policy

The company's policy is to write off all general exploration expenditures incurred during the year and to capitalize the direct cost of acquisition and expenditure thereon in mining properties which were in good standing at the year end. Upon disposal or abandonment of such interest the net gain or loss is reflected in the statement of income and retained earnings.

3. Shares with a quoted market value at cost

	DECEMBER 31, 1972		
	No. of shares	% of outstanding capital	Indicated market value
Chimo Gold Mines Limited	400,000	11.9%	\$ 420,000
Cassiar Asbestos Corporation Limited	550,100	10.0%	6,601,200
Central Patricia Gold Mines Limited	267,624	10.7%	310,400
Other investments with a quoted market value			5,221,740
Total cost and indicated market value December 31, 1972			\$8,637,248
Total cost and indicated market value December 31, 1971			\$11,784,000
			\$7,498,396
			\$15,225,000

4. Other shares and advances at cost less amounts written off

	DECEMBER 31, 1972		
	No. of shares	% of outstanding capital	Book value
Conwest Exploration Overseas Limited	1,114,000	45.5%	\$1,046,054
Liard Fluorspar Mines Limited	401,116	38.0%	154,475
West Graham Mines Limited	701,863	48.0%	87,469
Other shares			1,287,998
Advances			994,480
Total cost December 31, 1972			80,890
Total cost December 31, 1971			\$2,363,368
			\$2,227,657

5. Investment in and advances to subsidiary companies

	% of outstanding capital	BOOK VALUE DECEMBER 31	
		1972	1971
Shares at cost less amounts written off —			
Basin Oil Exploration Limited	62.2%	\$ 511,050	\$ 511,050
Bay Copper Mines Limited	79.7%	184,380	184,380
Coniska Copper Mines Limited	50.0%	104,028	104,028
Ketza River Mines Limited	64.6%	114,035	114,035
Ontario Lithium Company Limited	83.1%	100,707	100,707
Willow Creek Mines	100.0%	125,000	125,000
Other subsidiaries (4)	(63.3%-80.0%)	74,315	74,315
Advances at cost		1,213,515	1,213,515
Provision for losses less profits since acquisition		665,475	440,535
		1,878,990	1,654,068
		617,791	429,913
		\$1,261,199	\$1,224,155

In accordance with Section 123 of the Canada Corporations Act the following are the details relating to the unconsolidated subsidiary companies:

- (a) The subsidiary companies' financial statements have not been consolidated because, in the opinion of management, such consolidation would be inappropriate. The assets of the subsidiary companies include cash and investments at market value which after deducting accounts payable, aggregate \$113,854 in which the company's equity is \$62,791. The balance of the company's investment in subsidiary companies is represented by mining claims, properties, expenditures thereon, investments with no quoted market values and other deferred amounts, the value of which can only be determined through operation, sale or abandonment.
- (b) The company's portion of the aggregate losses less profits of subsidiaries for the respective financial periods coinciding with or ending in the financial period of the company totalled \$187,878 which has been included in the statement of income and retained earnings.
- (c) The company's portion of the losses less undistributed profits of the subsidiaries since their acquisition is \$617,791.

6. Mining properties at cost and expenditures thereon

Balance at beginning of year	\$ 1,951,265
Deduct:	
Prior years' expenditures charged to operations	\$ 351,136
Prior years' expenditures reclassified as cost of shares received in consideration therefor	116,474
	467,610
	1,483,655
Add:	
Current year's expenditures capitalized, net of related recoveries of \$244,645	243,941
Balance at end of year	<u>\$1,727,596</u>

7. Remuneration of officers and directors

The aggregate direct remuneration paid by the company during the year ended December 31, 1972:

To the nine directors	\$ 4,000
To nine officers of whom six are directors	115,000
To two others, deemed officers pursuant to the Ontario Securities Act	44,700
	<u>\$ 163,700</u>

The aggregate cost to the company during the year ended December 31, 1972 with respect to all pension benefits proposed to be paid in the event of retirement at normal retirement age (65 years):

Re directors and officers	\$ 23,500
Re two others, deemed officers pursuant to the Ontario Securities Act	3,700
	<u>\$ 27,200</u>

8. Pension plan

The balance of deferred past service costs will be charged to operations in annual amounts of \$44,250 over the years 1973 to 1975 inclusive. The present value of the unfunded portion of past service benefits is \$202,600 based on actuarial estimates made as at January 1, 1971. This amount is being funded by annual payments of \$21,600 (including interest) to December 31, 1985.

9. Legal Action

On April 15, 1971 Victor A. Sittler, Hiram H. Nelson, Ronald L. Kirk and Robert W. Kirk, the "plaintiffs", commenced an action in the Supreme Court of the Yukon Territory against the Company claiming up to 580,000 additional shares of Cassiar Asbestos Corporation Limited plus dividends and interest of up to \$4.5 millions, or in the alternative damages up to an amount of approximately \$19 millions, for breach of contract. The plaintiffs claim they are entitled to a further 100,000 shares under an agreement dated October 11, 1950 in addition to the 300,000 shares issued to the plaintiffs under an amending agreement dated June 7, 1951 and in addition, they claim additional shares accrue to them without further consideration for subsequent increases in the authorized capital of Cassiar, being 480,000 shares or in the alternative 360,000 shares. The bases of the plaintiffs' claims are similar to those in an action by the plaintiffs commenced on July 9, 1958 in the Yukon Territory and discontinued by the plaintiffs on January 21, 1960. The present action was tried in October 1972 and judgment was reserved.

Although as of the date of the auditors' report judgment in the action has not been rendered by the Supreme Court of the Yukon Territory, the directors consider that they have an obligation to the shareholders to express their opinion on the possible effect the action might have on the Company. It is the opinion of the directors that the plaintiffs' claims will not succeed and accordingly no provision therefor has been made in the financial statements.

Conwest Exploration Company Limited

Management and Exploration Personnel

GENERAL OFFICERS:

Chairman of the Board -	-	-	-	-	-	-	-	-	-	-	-	F. M. CONNELL, O.B.E., LL.D.
President	-	-	-	-	-	-	-	-	-	-	-	C. R. ELLIOTT, C.A.
Executive Vice-President	-	-	-	-	-	-	-	-	-	-	-	M. P. CONNELL
Vice-President	-	-	-	-	-	-	-	-	-	-	-	I. F. T. KENNEDY, B.Sc., P.Eng.
Consulting Engineer	-	-	-	-	-	-	-	-	-	-	-	J. D. CHRISTIAN, C.B.E., B.A.Sc., P.Eng.
Assistant to the President	-	-	-	-	-	-	-	-	-	-	-	S. K. BRIGHAM, B.A.Sc., P.Eng.
Secretary	-	-	-	-	-	-	-	-	-	-	-	J. R. SCRIMGER, F.C.I.S.
Treasurer	-	-	-	-	-	-	-	-	-	-	-	J. C. LAMACRAFT, C.A.
Assistant Secretary and Solicitor	-	-	-	-	-	-	-	-	-	-	-	D. B. MACDERMOTT, B.Sc., LL.B.

EXPLORATION AND DEVELOPMENT DIVISION:

Canada:

Australia:

Conwest Exploration Company Limited

INFORMATION CIRCULAR

Solicitation of Proxies

This statement is furnished by the management of Conwest Exploration Company Limited, hereinafter called the "Company", in connection with the solicitation of proxies for use at the Annual Meeting of Shareholders of the Company to be held at the Algonquin Room, Royal York Hotel, 100 Front Street West, Toronto, Ontario, on Thursday, June 28, 1973, at 10:00 o'clock in the forenoon for the purpose set out in the accompanying notice of meeting.

Solicitation is being made by mail, which may be supplemented by telephone or other personal contact, to be made without special compensation by officers and employees of the Company. The Company will bear all expenses in connection with the solicitation of proxies but the Company will not reimburse Shareholders nominees or agents for any costs incurred in obtaining from their principals instruments of proxy or authorization to execute such proxies.

IN THE EVENT OF YOUR NOT BEING PRESENT AT THE ANNUAL MEETING, THE MANAGEMENT OF THE COMPANY SOLICITS YOUR PROXY AND YOU ARE REQUESTED TO FILL IN, DATE, SIGN AND RETURN THE ENCLOSED INSTRUMENT OF PROXY.

The shares represented by such proxy will be voted at the meeting and, where a choice with respect to any matter to be acted upon has been specified in the proxy, the shares, subject to the Canada Corporations Act, will be voted in accordance with the specification so made. **WHERE NO CHOICE IS SPECIFIED WITH RESPECT TO ANY MATTER, THE SHARES SO REPRESENTED WILL BE VOTED IN FAVOUR OF SUCH MATTER.**

Revocability of Proxy

Any proxy given by a registered shareholder may be revoked by notice in writing executed by the shareholder or his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized and deposited either at the executive offices of the Company at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used or with the chairman of the Annual Meeting on the day of the meeting or adjournment thereof which shall be a valid revocation of such proxy, except as to any matter in which a vote may already have been cast pursuant to the authority conferred by such proxy.

Voting Shares and Principal Holders Thereof

As of June 4, 1973, the authorized capital of the Company is 3,000,000 shares without nominal or par value whereof 2,500,000 shares, are issued and outstanding as fully paid and non-assessable. Only shareholders of record June 28, 1973, the date of the Annual Meeting, are entitled to vote thereat. The registered holders of all such shares are entitled at the Annual Meeting to one vote for each share held.

To the knowledge of the directors and officers of the Company, the following is the only shareholder beneficially owning, directly or indirectly, 10% or more of the issued and outstanding shares of the Company.

Name of Shareholder	Approximate Number of Shares Beneficially Owned	Percentage of Outstanding Shares
Ian F. T. Kennedy	390,401	15.6
Central Patricia Gold Mines, Limited	556,121	22.2

Election of Directors

The board of directors consists of nine directors who are elected at the Annual Meeting to serve until the next Annual Meeting or until their successors are elected or appointed. Unless otherwise directed, it is intended to vote the proxies received pursuant to this solicitation for the election of the nine nominees who are listed below. In the event that any vacancy occurs in the slate of nominees submitted herewith, which is not anticipated, it is intended that the persons named in the accompanying instrument of proxy reserve the right to vote for another person of their choice in place of the nominee who is unable to serve as a director. The names and pertinent information with respect to each of the nominees for election as directors as reported by each are shown below, including the year in which each nominee first became a director of the Company:

Proposed Nominees	Principal Occupation or Employment	Director From	Number of Company Shares Beneficially Owned	Approximate number shares beneficially owned directly or indirectly of Subsidiary, Basin Oil Exploration Limited
Frederick M. Connell	Chairman of the Board of the Company.	June 20, 1938	105,712	15,000
W. Harold Connell	Vice-President of Central Patricia Gold Mines, Limited, a mining company.	June 20, 1938	1	14,000
Earl B. Connell	Farm Manager.	April 29, 1963	1,501	
Martin P. Connell	Executive Vice-President of the Company.	Sept. 27, 1968	82,756	2,500
John D. Christian	Chairman and President, Cassiar Asbestos Corporation Limited, an asbestos mining company.	April 30, 1953	1	
Kenneth A. Creery	Retired. Formerly Chairman of The British Metal Corporation (Canada) Limited, a metal marketing company.	Oct. 27, 1938	2,502	
Charles R. Elliott	President of the Company.	May 5, 1950	5,175	5,000
Stewart E. Jamieson	President of The British Metal Corporation (Canada) Limited.	April 30, 1953	1	
Ian F. T. Kennedy	Vice-President of the Company.	Sept. 27, 1968	390,401	12,728
I. F. T. Kennedy				390,401
Associates:				
— McVittie-Graham Mining Company Limited				110,800
— Central Patricia Gold Mines, Limited				556,121
				<u>666,921</u>
				<u>1,057,322</u>
Martin P. Connell				82,756
Associates:				
— McVittie-Graham Mining Company Limited				110,800
— Central Patricia Gold Mines, Limited				556,121
				<u>666,921</u>
				<u>749,677</u>

Remuneration of Officers and Directors

The aggregate direct remuneration paid by the Company during the year ended December 31, 1972:

To the nine directors	\$ 4,000
To nine officers of whom six are directors	115,000
To two others, deemed officers pursuant to the Ontario Securities Act	44,700
	<u>\$ 163,700</u>

The aggregate cost to the Company during the year ended December 31, 1972 with respect to all pension benefits proposed to be paid in the event of retirement at normal retirement age (65 years):

Re directors and officers	\$ 23,500
Re two others, deemed officers pursuant to the Ontario Securities Act	3,700
	<u>\$ 27,200</u>

Appointment of Auditors

It is proposed that Clarkson, Gordon & Co., Chartered Accountants, the present Auditors, be re-appointed as auditors of the Company, to hold office until the next Annual Meeting of shareholders at a remuneration to be fixed by the board of directors of the Company. Clarkson, Gordon & Co. have been the auditors of the Company since its inception.

Other Business

The management is not aware of any matters to be presented for action at the meeting other than those listed in the notice of meeting. However, if other matters properly come before the meeting, it is the intention of the persons named in the accompanying instrument of proxy to vote the said proxies in accordance with their best judgment on such matters.

By Order of the Board of Directors,

J. ROSS SCRIMGER,
Secretary.

DATED June 4, 1973,
Toronto, Ontario.

Cassiar Asbestos Corporation Limited

To the Shareholders,
Cassiar Asbestos Corporation Limited:

During the year, Mr. George W. Smith, one of the very early directors of your Company, having been elected on March 15, 1953, retired from the Board. He was replaced on June 13, 1972 by Mr. J. Marcel Dorais, President of Bell Asbestos Mines, Ltd. During the past twenty years Mr. Smith's advice and knowledge of the asbestos industry, in which he has spent his entire life, has been of inestimable value to the Board in directing the affairs of the Company. I am very pleased to report that Mr. Smith has consented to serve on the President's Advisory Committee and will still be available for consultation.

Due to retirement from active participation in his own field, Mr. John Drybrough has requested that he not be nominated for re-election at the forthcoming Annual Meeting. The nominee in his stead is Mr. Jack E. Thomson, Executive Vice-President of Newmont Mining Corporation. The Company is fortunate in having such a qualified and interested executive stand for election. Mr. John Drybrough is well known in mining circles in Canada and we are, indeed, indebted to him for the sound advice and guidance he has provided over the past eighteen years.

On your behalf, I sincerely thank both Mr. Smith and Mr. Drybrough and wish them good health.

Looking to the future, the directors have enacted By-Law 97, which provides for one additional director for the Company. If this is ratified and if Mr. Peter Steen, who will be joining the Company on April 1, 1973, is elected a director, it is the intention to appoint him Executive Vice-President. Mr. Steen is forty-one years of age and has recently been Chief Mining Engineer for the Anglo American Corporation of Canada Limited and General Manager of Whitehorse Copper Mines Limited. Mr. Steen is familiar with northern mining operations and with his knowledge and experience, will considerably strengthen the management group.

Yours very truly,

J. D. CHRISTIAN,
Chairman and President.
CASSIAR ASBESTOS CORP. LTD.

Toronto, Canada,
March 15, 1973.

Cassiar Asbestos Corporation Limited

Report of the Directors

To the Shareholders,
Cassiar Asbestos Corporation Limited:

Your directors present herewith the twenty-first annual report on the affairs of your Company including the consolidated balance sheet as at December 31, 1972, statements of consolidated operations, retained earnings and source and application of funds for the year ended on that date and your auditors' report thereon.

FINANCIAL

The operating profit was \$18,078,465 before providing for depreciation, waste removal and other write-offs aggregating \$10,880,307, leaving a net profit before income taxes of \$7,198,158 compared to \$6,768,146 in 1971. Provision for income taxes of \$2,875,000 resulted in a net profit for the year of \$4,323,158 or 78.6 cents per share as compared to \$4,628,146 or 84 cents per share in 1971.

Profits at the Cassiar Mine increased by \$1,868,840 before income taxes. This is accounted for by the greater tonnage of ore of a slightly better grade, treated during the year, less the higher cost of labour and materials.

At the Clinton Mine, the reduction in profits before income taxes was \$1,442,673 due primarily to an increase in waste amortization of \$1,610,080. The rate of amortization in accordance with the company's accounting practices was increased from \$0.90 per ton of ore mined in 1971 to \$1.80 per ton in 1972. An improvement in the grade of ore treated was largely offset by the increase in the cost of labour and materials.

The increase in taxes of \$735,000 is basically attributed to the increased profit from the Cassiar Mine.

Capital expenditures for the year are summarized as follows:

	CASSIAR MINE	CLINTON MINE	WHITEHORSE & NORTH VANCOUVER
Plant and Equipment	\$1,632,881	\$ 901,665	\$ 264,577
Waste Removal	3,437,140	5,417,807	
Development	184,937	218,999	
	<u>\$5,254,958</u>	<u>\$6,538,471</u>	<u>\$ 264,577</u>

SALES

Fibre sales in 1972 totalled 202,296 tons valued at \$45,034,633 compared with 182,077 tons valued at \$40,563,996 in 1971. This is slightly above the previous record set in 1970. The increase in sales of \$4,470,637 is attributed \$3,864,541 to Cassiar Mine and \$606,096 to Clinton Mine. All sales commitments were met.

The sales prices of Cassiar and Clinton fibres were increased on January 1, 1973 by approximately 2% on spinning grades and 5% on asbestos cement grades. The previous increase was on January 1, 1971.

While the demand for fibre has been good, the market did become highly competitive towards the end of 1972 and is expected to continue in much the same fashion through 1973. Current indications are that Cassiar sales for 1973 will approximate those of 1972.

CASSIAR MINE

Mine

During the year 1,115,502 tons of ore were mined, of which 1,109,952 tons were treated in the rock rejection plant to eliminate 320,073 tons of rock. The untreated balance of 5,550 tons was high grade ore which is not amenable to this form of concentration. The resulting 789,879 tons of concentrate and 5,550 tons of untreated ore were delivered to the mill, 460,007 tons by tramline and 335,422 tons by truck.

A total of 3,596,481 tons of waste was removed from the orebody at a cost of \$3,437,140. It is the company's accounting policy to capitalize the cost of waste removal. The waste is related to sections of ore released for mining by its removal and the cost is apportioned accordingly. As the ore is mined, the appropriate portion of waste removal is written off as a part of the current ore mining cost. On this basis, the waste charge against the ore currently being mined is \$1.68 per ton. During 1973 ore will be mined from the next and deeper section in which the waste to ore ratio is higher than in previous years. The appropriate rate of amortization for this ore is estimated at \$3.50 per ton. This rate will be used during 1973 and will continue thereafter for approximately another five years.

With a view to reducing the cost of both waste removal and transportation of ore to the mill, new and larger equipment will be introduced during the next two or three years.

Mill

The mill treated 755,189 tons of ore and concentrate and produced 106,905 tons of fibre. Mill production improved throughout the year and is currently running close to capacity.

A new tailings conveyor system is needed to handle the required tonnages. It will be designed to minimize dust emission to the atmosphere and will be installed in late 1973. The bag filter system installed in the dryer circuit last fall has proven to be very effective in controlling dust emission from this troublesome area.

Ore Reserves

Diamond drilling during the past two years has indicated some changes in the attitude of the orebody, and a new pit design is being studied. The following figures are subject to minor changes which may result from this study and from further diamond drilling.

The probable ore reserves currently estimated to a depth of 340 feet below the lower adit and within an economic pit design are approximately 25,000,000 tons. The waste to ore ratio in later years gradually increases from 3.5 to 1 to 7.5 to 1. Below this horizon the ore begins to plunge under the South Peak and the waste to ore ratios become so high that the economics of an underground operation will have to be studied. A few drill holes in this area have reached a depth of 300 feet below the level of the proposed pit floor and indicate the possibility of a substantial tonnage of good grade ore with no suggestion of bottoming at this horizon. Further exploration will probably be deferred for a number of years when better drill sites will be available and the work will not interfere with current stripping operations.

CLINTON MINE

Mine

During the year 1,788,976 tons of ore were mined and delivered to the mill by the tramline. A total of 506,160 tons of rock was rejected.

A total of 14,309,883 tons of waste was removed at a cost of \$5,417,807. Waste removal costs are capitalized and written off in the same fashion as at Cassiar. In 1972 the charge against each ton of ore mined was \$1.80. It is expected that this rate will apply to the mining of the probable ore reserves.

Unit costs in the mine and mill were maintained at budget level.

Mill

The mill treated 1,267,178 tons of ore and produced 102,347 tons of fibre. The recovered grade of the ore mined was 5.66% (excluding CZ) compared to 5.37% in 1971.

Ore Reserves

The ore reserves as calculated on the previous basis within the open pit design would be approximately 16,000,000 tons. Recent geological interpretations indicate that approximately 7,500,000 tons of this total, requires further diamond drilling to determine more accurately the tonnage, grade

and waste to ore ratio which at the present time appears to be marginal. The reserves have been reclassified as follows:

	Probable Ore	Possible Ore
Main Orebody	8,500,000	7,500,000
Creek Orebody	750,000	—
Snowshoe Orebody	—	2,000,000
	<u>9,250,000</u>	<u>9,500,000</u>

Diamond drilling will be carried out this summer to resolve the classification of the possible ore.

TRANSPORT DIVISION

The new trailer design, which carries 38 tons of fibre, was successfully introduced into the Clinton Mine fleet towards the end of the year and some reduction in cost can be anticipated in 1973. It has been reported that the completion of the extension of the British Columbia Railroad from Prince George to Dease Lake, scheduled for late 1974, has now been deferred to late 1975.

The bulk of the Cassiar Mine fibre is being moved to Vancouver via Whitehorse by the White Pass and Yukon Route with the balance moving to Fort Nelson and Fort St. John and thence by the British Columbia Railroad.

KUTCHO CREEK ASBESTOS COMPANY LIMITED

No work was carried out on this property during the year and none is planned for 1973.

PYKE ASBESTOS PROPERTY — New Zealand

An agreement has been made with a subsidiary of Kennecott Copper Corporation and Lime and Marble Limited, a New Zealand Company, whereby Cassiar will undertake an exploration programme on the Pyke Asbestos property located on the West Coast of the South Island about latitude 44° South.

Subject to the applicable New Zealand Government consents, Cassiar has a commitment to spend NZ \$400,000 by May 1, 1975 and an option to spend an additional NZ \$600,000 by May 1, 1977. Upon completion of these expenditures New Zealand Asbestos Limited, a newly formed company, will issue 1,000,000 shares to Cassiar, 1,000,000 shares to Kennecott and grant to Lime and Marble the right to purchase 325,581 shares at a price of one New Zealand dollar per share. Thereafter, the three companies will have the right to acquire additional shares issued in proportion to their holdings.

Lime and Marble will receive cash payments prior to production and thereafter a royalty based on the value of asbestos fibre sold.

In the event of commercial production, for appropriate remuneration, Cassiar will provide New Zealand Asbestos Limited with management services for a period of fifteen years.

GENERAL EXPLORATION

Exploration of selected areas in British Columbia was carried out in 1972 and no showings of economic interest were found. This completes an extensive seven year programme which has covered most of the known ultrabasics in British Columbia, the Yukon and parts of Alaska.

Exploration work in Canada in 1973 will be confined to examinations of properties submitted.

RESEARCH

The research programme being carried out at the Ontario Research Foundation is progressing favourably and continues to justify the expenditure involved.

TRAINING

The training programme is continuing at the Cassiar Mine. In spite of this and all other efforts, production and maintenance programmes have been seriously hampered by a shortage of tradesmen and labourers.

LABOUR

A collective bargaining agreement, effective December 1, 1972 and expiring December 1, 1974 has been signed with the United Steelworkers of America, Local 6536, Cassiar, British Columbia. A similar agreement has been signed with Local 925, Whitehorse, Yukon Territory, effective December 1, 1972 and expiring March 1, 1975.

At the Clinton Mine, Local 564 of the United Steelworkers of America has been replaced by Local 1, Canadian Mine Workers and negotiations are currently taking place with the assistance of a conciliation officer.

ACKNOWLEDGEMENTS

The directors wish to acknowledge the loyal and efficient service given the company by the staff and employees of all divisions.

On behalf of the Board,

J. D. CHRISTIAN,
Chairman and President.

Toronto, Canada,
March 13, 1973.

Clarkson, Gordon & Co.
Chartered Accountants

Royal Trust Tower
P.O. Box 251 Toronto-Dominion Centre
Toronto 111, Canada

Halifax Saint John Quebec Montreal Ottawa
Toronto Hamilton Kitchener London Windsor
Thunder Bay Winnipeg Regina Calgary
Edmonton Vancouver Victoria

Arthur Young, Clarkson, Gordon & Co.
United States—Brazil
Telephone 864-1234 (Area Code 416)

AUDITORS' REPORT

To the Shareholders of
Cassiar Asbestos Corporation Limited:

We have examined the consolidated balance sheet of Cassiar Asbestos Corporation Limited and its subsidiaries as at December 31, 1972 and the statements of consolidated operations and retained earnings and consolidated source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
March 13, 1973.

Clarkson, Gordon & Co.
Chartered Accountants

Cassiar Asbestos Corporation Limited

and its subsidiaries

STATEMENTS OF CONSOLIDATED OPERATIONS AND RETAINED EARNINGS

For the Year Ended December 31, 1972

OPERATIONS		
Revenue:	1972	1971
Asbestos fibre sales	\$45,034,633	\$40,563,996
Other sales	393,060	351,430
Investments	29,869	93,594
Gain on sale of assets	7,058	36,776
	45,464,620	41,045,796
Expenses:		
Cost of sales (notes 1 and 2)	25,487,616	22,362,321
Transportation to Vancouver and warehousing (note 1)	9,354,631	8,877,841
Administration, selling and general expenses	2,388,604	2,212,714
Exploration and research expenses (note 2)	263,458	269,063
Interest on borrowings (note 3)	654,241	566,170
Loss realized on investments	127,091	
	38,275,641	34,288,109
	7,188,979	6,757,687
Minority interest in loss of subsidiary	9,179	10,459
Profit before income taxes	7,198,158	6,768,146
Income taxes (note 4):		
Current	200,000	(130,000)
Deferred	2,675,000	2,270,000
	2,875,000	2,140,000
Net profit for the year	\$ 4,323,158	\$ 4,628,146
Earnings per share	78.6¢	84.1¢
RETAINED EARNINGS		
Balance at beginning of year	\$20,546,063	\$20,317,917
Net profit for the year	4,323,158	4,628,146
	24,869,221	24,946,063
Dividends	3,850,000	4,400,000
Balance at end of year	\$21,019,221	\$20,546,063

Cassiar Asbestos Corporation Limited

and its subsidiaries

STATEMENT OF CONSOLIDATED SOURCE AND APPLICATION OF FUNDS

For the Year Ended December 31, 1972

Source of funds:	1972	1971
Operations —		
Net profit (excluding gain on sale of assets)	\$ 4,316,100	\$ 4,591,370
Waste removal costs amortized	5,094,200	3,190,868
Development and preproduction costs amortized	916,589	877,635
Exploration costs written off	152,607	169,170
Depreciation	4,589,820	4,096,354
Income taxes deferred	2,675,000	2,270,000
Loss realized on investments	127,091	
	<u>17,871,407</u>	15,195,397
Long term portion of bank loan		5,000,000
Sale of investments	<u>292,409</u>	767
	<u>18,163,816</u>	20,196,164
Application of funds:		
Plant and equipment (net) —		
Cassiar Mine	1,632,881	3,071,142
Clinton Mine	901,665	1,582,730
Transport Division	192,461	(28,739)
Asbestos Wharf	2,354	14,368
Whitehorse	69,762	(20,620)
Waste removal costs —		
Cassiar Mine	3,437,140	3,464,235
Clinton Mine	5,417,807	4,358,912
Employees' home purchase agreements	<u>41,429</u>	103,260
	<u>11,695,499</u>	12,545,288
Exploration, development, mining claims and land (net)	553,325	656,298
Purchase of minority interest	300,000	
Minority interest in consolidated subsidiary	9,179	10,459
Current portion of long term bank loan	1,000,000	
Dividends	3,850,000	4,400,000
	<u>17,408,003</u>	17,612,045
Increase in working capital during year	755,813	2,584,119
Working capital (deficiency) beginning of year	1,545,922	(1,038,197)
Working capital end of year	<u>\$ 2,301,735</u>	\$ 1,545,922

CASSIAR ASBESTOS

(Incorporated under the
and it

Consolidated Balance Sheet —

ASSETS

	1972	1971
Current:		
Accounts receivable	\$ 8,091,481	\$ 6,138,598
Asbestos fibre at cost	4,217,194	3,724,475
Ore stockpiled at cost	534,010	121,482
Inventory of supplies at cost	3,299,371	3,198,754
Prepaid expenses	167,910	167,374
Total current assets	16,309,966	13,350,683
Investments at cost (market value 1972 — \$40,000; 1971 — \$309,250)	40,030	439,672
Employees' home purchase agreements at cost	623,760	582,331
 Fixed (at cost — note 1):		
Mine plant and equipment	46,447,308	46,349,515
Automotive equipment	9,307,984	8,984,758
Asbestos Wharf — leasehold improvements, buildings and equipment	1,386,643	1,398,053
Whitehorse — buildings and equipment	1,110,424	1,056,385
Roads	186,815	186,815
	58,439,174	57,975,526
Less accumulated depreciation	25,073,069	22,819,281
	33,366,105	35,156,245
 Deferred (note 2):		
Mining claims and land at cost	2,799,189	2,806,238
Exploration, development and preproduction costs less amounts written off	4,743,069	5,245,390
Waste removal costs less amounts written off	25,168,806	21,408,059
	32,711,064	29,459,687
	\$83,050,925	\$78,988,618

CORPORATION LIMITED

Canada Corporations Act)

Subsidiaries

December 31, 1972

LIABILITIES

Current:	1972	1971
Bank indebtedness (note 3)	\$ 9,296,510	\$ 7,578,892
Accounts payable and accrued charges	2,994,606	2,800,850
Dividend payable January 29, 1973 (January 28, 1972) ...	825,000	1,100,000
Taxes payable	892,115	325,019
Total current liabilities	14,008,231	11,804,761
Term bank loan (note 3)	4,000,000	5,000,000
Income taxes deferred (note 4)	15,120,000	12,445,000
Minority interest in subsidiary (note 5)		289,321

Shareholders' equity:

Capital —

Authorized:

5,500,000 shares without nominal or par value

Issued:

5,500,000 shares

Retained earnings

28,903,473

28,903,473

21.019.221

20 546 063

49,922,694

49,449,536

On behalf of the Board:

J. D. CHRISTIAN, Director

C. R. ELLIOTT, Director

\$83,050,925

\$78,988,618

Cassiar Asbestos Corporation Limited

and its subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1972

1. Fixed assets

The basis of depreciation is as follows:

Buildings — 5% per annum on cost.

Equipment — 10% per annum on cost.

Automotive equipment cost is charged to operations at uniform rates over the estimated useful life.

During the year the depreciation charged to operations amounted to \$4,589,820 (1971 — \$4,096,354).

2. Deferred Assets

The basis of amortization and write-off is as follows:

Amortization of waste removal costs —

Waste removal costs are charged to operations on a per ton of ore mined basis, the rate being determined by dividing the cost of waste removal by the estimated tons of ore to be released.

During the year waste removal costs charged to cost of production amounted to \$5,094,200 (1971 — \$3,190,868).

Amortization of development and preproduction costs —

Preproduction costs for the Cassiar mine have been written off over prior periods. Preproduction costs for the Clinton mine and development costs for both mines are amortized on a per ton of ore mined basis, the rate being determined by dividing the cost by the estimated ore reserves.

During the year development and preproduction costs charged to cost of production amounted to \$916,589 (1971 — \$877,635).

Write-off of exploration costs —

The companies' policy is to write off all general exploration expenditures incurred during the year and to capitalize the direct cost of acquisition and expenditure thereon in mining properties which were in good standing at the year end. Upon disposal or abandonment of such interest the net gain or loss is reflected in the statement of operations.

3. Bank credit

The companies have established a line of credit secured pursuant to section 88 of the Bank Act by a general assignment of accounts receivable and inventories of asbestos fibre, ore and supplies.

At the year end borrowings consisted of the following —

Term loan	\$ 5,000,000
Banker's acceptance notes	5,500,000
Demand loan	2,796,510
	<u>\$13,296,510</u>

The term loan is repayable in annual instalments of \$1,000,000 each with a final payment in October 1976 of \$2,000,000. Interest is payable at the bank prime rate plus 3/4 of 1% on the first \$1,000,000 and 1% on the remaining \$4,000,000 of the term loan. Interest expense on the term loan was \$415,582 in 1972.

4. Income taxes

The companies follow the income tax allocation method of accounting for all differences in the timing of deductions for tax and accounting purposes arising from depreciation, waste removal costs, and exploration, development and preproduction costs. Income taxes deferred of \$15,120,000 represents income tax reductions which have arisen to date from claiming such items for tax purposes in excess of the amounts recorded in the accounts.

5. Consolidated subsidiaries

Cassiar Asbestos (Alaska) Inc.	— 100% owned
Kutcho Creek Asbestos Company Limited	— 100% owned
Territorial Supply Company Limited	— 100% owned

The minority interest in Territorial Supply Company Limited was purchased from United Keno Hill Mines Limited at the year end.

6. Remuneration of Officers and Directors

The aggregate direct remuneration paid by the companies during the year ended December 31, 1972:

To the thirteen directors	\$ 19,200
To the six officers of whom four are directors ..	159,560
To three others, deemed officers pursuant to the	
Ontario Securities Act	81,250
	<u>\$ 260,010</u>

The aggregate cost to the companies during the year ended December 31, 1972 with respect to all pension benefits proposed to be paid in the event of retirement at normal retirement age (65 years):

Directors and officers	\$ 22,800
Three others, deemed officers pursuant to the	
Ontario Securities Act	10,950
	<u>\$ 33,750</u>

7. Pension plan

The present value of the unfunded portion of past service benefits is approximately \$540,000 at December 31, 1972 based on actuarial estimates made as at January 1, 1971. The amount is being funded and charged to operations by annual payments of \$47,900, including interest.

Subsequent to the year end an additional pension plan to cover employees not included in the existing plan is being established. It is estimated that the present value of the past service liability under this plan will not exceed \$200,000 and will be charged to operations over the funding period.

Cassiar Asbestos Corporation Limited
and its subsidiaries

SUMMARY OF CONSOLIDATED OPERATIONS
For the Year Ended December 31, 1972

	1972		1971		Subsidiary company
	Total	Clinton Mine	Cassiar Mine	Subsidiary company	
Revenue:					
Asbestos fibre sales	\$45,034,633	\$18,668,814	\$26,365,819	\$40,563,996	\$18,062,718
Other sales	393,060		\$ 393,060	351,430	93,594
Investments	29,869		29,869	93,594	
Gain on sale of assets	7,058		7,058	36,776	
	45,464,620	18,668,814	26,395,688	400,118	41,045,796
Expenses:					
Cost of sales	25,487,616	12,378,370	12,789,701	319,545	22,362,321
Transportation to Vancouver and warehousing	9,354,631	4,857,331	4,497,300	8,877,841	4,633,944
Administration, interest, selling and general expenses	3,042,845	1,272,411	1,653,149	117,285	2,778,884
Exploration and research expenses	263,458		263,458		269,063
Loss realized on investments	127,091		127,091		
	38,275,641	18,508,112	19,330,699	436,830	34,288,109
	7,188,979	160,702	7,064,989	(36,712)	6,757,687
	9,179			9,179	10,459
	\$ 7,198,158	\$ 160,702	\$ 7,064,989	\$ (27,533)	\$ 6,768,146
					\$ 1,603,375
					\$ 5,196,149
					\$ (31,378)

CASSIAR ASBESTOS CORPORATION LIMITED—TEN YEAR REVIEW

	1972	1971	1970
Ore mined (tons)	2,904,478	2,715,039	2,398,155
Ore and concentrate milled (tons)	2,022,367	2,187,817	2,024,475
Waste removed (tons)	17,906,364	15,232,740	8,806,038
Fibre produced (tons)	209,252	180,206	190,256
Fibre sold (tons)	202,296	182,077	196,387
Fibre sales	\$45,034,633	\$40,563,996	\$41,321,623
Profit before deducting the following	\$17,951,374	\$15,102,173	\$16,471,450
Depreciation	4,589,820	4,096,354	3,939,274
Exploration and development written off	6,163,396	4,237,673	4,011,864
Net earnings before taxes	7,198,158	6,768,146	8,520,312
Provision for current taxes	200,000	(130,000)	760,000
Provision for deferred taxes	2,675,000	2,270,000	620,000
Net earnings	\$ 4,323,158	\$ 4,628,146	\$ 7,140,312
Net earnings per share	78½¢	84¢	\$ 1.31
Dividends declared per share	70¢	80¢	80¢
CAPITAL EXPENDITURES:			
Land, plant and equipment	\$ 2,785,573	\$ 4,580,199	\$ 9,901,130
Mine development — Cassiar	3,622,077	3,707,584	3,516,559
— Clinton	5,636,806	4,629,078	2,073,600
Exploration	162,939	181,465	334,584
BALANCE SHEET — AT END OF FISCAL PERIOD:			
Net working capital and investments	\$ 2,965,525	\$ 2,567,925	\$ (118,687)
Territorial Supply Company Limited	—	— *	— *
Plant and equipment	58,439,174	57,975,526	54,454,456
Mining claims and land	2,799,189	2,806,238	2,808,919
Deferred development	29,911,875	26,653,449	22,372,995
Total	94,115,763	90,003,138	79,517,683
Deduct — Term bank loan	4,000,000	5,000,000	—
— Purchase contract payable	—	—	—
— Deferred taxes	15,120,000	12,445,000	10,175,000
— Accumulated depreciation	25,073,069	22,819,281	19,821,513
— Minority interest in subsidiary	—	289,321*	299,780*
Shareholders' equity	\$49,922,694	\$49,449,536	\$49,221,390
Shares of capital stock issued at end of period	5,500,000	5,500,000	5,500,000

* Included as subsidiary

1969	1968	1967	1966	1965	1964	1963
1,729,053	1,798,284	1,029,474	901,650	743,765	705,205	756,574
1,565,703	1,287,107	756,787	706,492	613,404	587,908	588,733
6,583,976	6,289,136	4,125,054	4,299,373	4,542,457	3,464,705	2,824,197
167,411	140,021	92,093	87,900	85,432	66,897	62,214
171,493	124,728	91,973	94,089	82,883	64,245	62,824
37,188,930	\$27,119,821	\$21,023,006	\$20,393,363	\$17,526,197	\$14,466,691	\$13,882,535
14,997,704	\$11,794,325	\$10,116,004	\$ 9,841,812	\$ 8,498,620	\$ 7,336,746	\$ 6,682,009
3,436,982	3,136,853	1,492,336	1,439,523	1,134,471	1,093,058	1,054,740
3,107,799	2,085,080	1,798,483	1,616,523	1,295,677	1,265,226	1,427,461
8,452,923	6,572,392	6,825,185	6,785,766	6,068,472	4,978,462	4,199,808
2,165,000	1,395,000	500,000	765,000	1,310,000	1,185,000	950,000
(375,000)	345,000	2,150,000	1,875,000	1,070,000	765,000	660,000
6,662,923	\$ 4,832,392	\$ 4,175,185	\$ 4,145,766	\$ 3,688,472	\$ 3,028,462	\$ 2,589,808
\$ 1.27	92¢	80¢	87¢	81¢	76½¢	65¢
60¢	60¢	60¢	60¢	60¢	60¢	60¢
3,008,666	\$ 4,356,990	\$11,756,202	\$ 8,881,995	\$ 2,739,710	\$ 1,962,105	\$ 1,391,630
2,555,898	2,307,866	2,801,594	2,508,192	2,715,778	2,259,102	2,442,363
1,396,342	2,196,969	2,072,857	2,719,191	737,708	305,250	117,858
182,760	66,948	197,894	269,778	21,656	25,348	40,840
(576,669)	\$(3,117,663)	\$ 2,500,502	\$ 3,194,817	\$11,437,161	\$ 3,497,143	\$ 3,898,855
— *	— *	175,000	175,000	175,000	225,000	275,000
45,643,198	42,921,458	38,361,730	26,720,300	18,115,007	15,827,789	14,615,849
2,768,372	2,777,964	2,695,315	2,630,491	2,599,956	2,590,712	2,308,596
20,459,700	19,412,718	16,945,301	13,737,213	9,864,030	7,693,810	6,371,453
58,294,601	61,994,477	60,677,848	46,457,821	42,191,154	29,834,454	27,469,753
—	—	4,000,000	—	—	—	—
—	—	75,000	150,000	225,000	300,000	—
9,555,000	9,930,000	9,585,000	7,435,000	5,560,000	4,490,000	3,725,000
16,972,111	13,811,866	10,679,085	9,302,471	8,116,570	7,434,592	6,787,353
236,412*	232,956*	—	—	—	—	—
41,531,078	\$38,019,655	\$36,338,763	\$29,570,350	\$28,289,584	\$17,609,862	\$16,957,400
5,252,500	5,252,500	5,252,500	4,775,000	4,775,000	3,960,000	3,960,000

Cassiar Asbestos Corporation Limited

Management and Operating Personnel

GENERAL OFFICERS

Chairman of the Board and President	- - - - -	J. D. CHRISTIAN, C.B.E., B.A.Sc.
Vice-President and Secretary	- - - - -	C. R. ELLIOTT, C.A.
General Manager	- - - - -	J. G. BERRY, B.Sc.
Manager of Operations	- - - - -	A. C. BEGUIN, B.A.Sc.
Assistant to the President	- - - - -	S. K. BRIGHAM, B.A.Sc.
Consulting Engineer	- - - - -	T. T. TIGERT, B.A.Sc.
Assistant Secretary	- - - - -	J. R. SCRIMGER, F.C.I.S.
Treasurer	- - - - -	M. G. MAZURKEWICH
Comptroller	- - - - -	A. T. KANA, B.Sc., C.A.
Administrative Controller	- - - - -	J. H. THORNICROFT

OPERATING DIVISIONS

CASSIAR MINE, Cassiar, B.C.

General Superintendent	- - - - -	A. C. CARON
Production Superintendent	- - - - -	B. KOVACS, B.A.Sc.
Mine Superintendent	- - - - -	W. L. GIACHINO, B.A.Sc.
Mill Superintendent	- - - - -	P. CONDER, B.Sc.
Plant Superintendent	- - - - -	J. C. VELTMAYER
Equipment Supervisor	- - - - -	W. ZEMENCHIK
Mechanical Supervisor	- - - - -	F. D. COUSINS
Electrical Supervisor	- - - - -	F. KLIMENT
Surface Supervisor	- - - - -	L. TISCHLER
Chief Engineer	- - - - -	G. H. McLEOD, B.Sc.
Chief Geologist	- - - - -	W. N. PLUMB, B.E.M., B.A.Sc.
Office Manager	- - - - -	C. N. GANDER
Chief Mine Accountant	- - - - -	S. TARASUK, B.A.

CLINTON MINE, Yukon Territory

General Superintendent	- - - - -	J. R. MURDOCH, B.Sc.
Production Superintendent	- - - - -	M. DE ROUIN, B.Sc.
Mine Superintendent	- - - - -	D. R. HUDGEON
Mill Superintendent	- - - - -	W. LYALL, B.Sc.
Plant Superintendent	- - - - -	G. L. KINGSTON, B.A.Sc.
Equipment Supervisor	- - - - -	
Mechanical Supervisor	- - - - -	P. J. WATTERS
Electrical Supervisor	- - - - -	R. O. HOFFMAN
Chief Engineer	- - - - -	J. G. DREWE, B.Sc.
Office Manager	- - - - -	D. O. ACASON
Chief Mine Accountant	- - - - -	E. P. MELNYK

TRANSPORT DIVISION, Whitehorse, Y.T.

General Superintendent	- - - - -	W. E. ROYDS, D.S.M., C.D., B.A.Sc.
Assistant General Superintendent	- - - - -	W. G. WHITEHOUSE
Accountant	- - - - -	R. A. BEECHAM

ASBESTOS WHARF, North Vancouver, B.C.

Superintendent — Vancouver Operations	- - -	J. T. WARD
Wharf Supervisor	- - - - -	M. PHILLIPS
Purchasing Agent	- - - - -	K. B. SCRIMGER

